

**ARLINGTON TOMORROW FOUNDATION**  
Policy on Conflicts of Interest and Disclosure of Certain Interests

This conflict of interest policy is designed to help Directors, officers and employees of the ARLINGTON TOMORROW FOUNDATION (referred to as “FOUNDATION”) identify situations that present potential conflicts of interest and to provide FOUNDATION with a procedure which, if observed, will allow a transaction to be treated as valid and binding even though a director, officer or employee has or may have a conflict of interest with respect to the transaction. The policy is intended to comply with the procedures prescribed in Texas Business Organizations Code, Chapter 22, Section 22.230, governing conflicts of interest for directors of nonprofit corporations. In the event there is an inconsistency between the requirements and procedures prescribed herein and those in Section 22.230, the statute shall control. All capitalized terms are defined in Part 2 of this policy.

**1. Conflict of Interest Defined.** For purposes of this policy, the following circumstances shall be deemed to create Conflicts of Interest:

**A. Outside Interests.**

(i) A Contract or Transaction between FOUNDATION and a Responsible Person or Family Member.

(ii) A Contract or Transaction between FOUNDATION and an entity in which a Responsible Person or Family Member has a Material Financial Interest or of which such person is a director, officer, agent, partner, associate, trustee, personal representative, receiver, guardian, custodian, conservator or other legal representative.

**B. Outside Activities.**

(i) A Responsible Person competing with FOUNDATION in the rendering of services or in any other Contract or Transaction with a third party.

(ii) A Responsible Person’s having a Material Financial Interest in; or serving as a director, officer, employee, agent, partner, associate, trustee, personal representative, receiver, guardian, custodian, conservator or other legal representative of, or consultant to; an entity or individual that competes with FOUNDATION in the provision of services or in any other Contract or Transaction with a third party.

**C. Gifts, Gratuities and Entertainment.**

A Responsible Person accepting gifts, entertainment or other favors from any individual or entity that:

(i) does or is seeking to do business with, or is a competitor of FOUNDATION; or

(ii) has received, is receiving or is seeking to receive a loan or grant, or to secure other financial commitments from the FOUNDATION; under circumstances where it might be inferred that such action was intended to influence or possibly would influence the Responsible Person in the performance of his or her duties. This does not preclude the acceptance of items of nominal or insignificant value or entertainment of nominal or insignificant value which are not related to any particular transaction or activity of the FOUNDATION.

#### **D. Exceptions for Certain Contracts or Transactions of the FOUNDATION.**

Notwithstanding paragraphs 1.A., 1.B., and 1.C., above, and consistent with Texas Business Organizations Code, Chapter 22, Section 22.230(b), an otherwise valid Contract or Transaction is valid notwithstanding that a Responsible Person, director, officer, or member of FOUNDATION is present at or participates in the meeting of the Board of Directors, of a committee of the Board, or of the members that authorizes the Contract or Transaction, or votes to authorize the Contract or Transaction, if:

(i) the material facts as to the relationship or interest and as to the contract or transaction are disclosed to or known by:

(A) the FOUNDATION' Board of Directors, a committee of the Board of Directors, or the members, and the Board, the committee, or the members in good faith and with ordinary care authorize the Contract or Transaction by the affirmative vote of the majority of the disinterested directors, committee members or members, regardless of whether the disinterested directors, committee members or members constitute a quorum; or

(B) the members (if the FOUNDATION has members) entitled to vote on the authorization of the Contract or Transaction, and the Contract or Transaction is specifically approved in good faith and with ordinary care by a vote of the members, if any; or

(ii) the Contract or Transaction is fair to the FOUNDATION when the Contract or Transaction is authorized, approved, or ratified by the Board of Directors, a committee of the Board of Directors, or the members, if any, of the FOUNDATION.

## **2. Definitions.**

A. A "Conflict of Interest" is any circumstance described in Part 1 of this Policy.

B. A "Responsible Person" is any person serving as a Director, officer, employee or member of the Board of Directors of FOUNDATION.

C. A "Family Member" is a spouse, parent, child or spouse of a child, brother, sister, or spouse of a brother or sister, of a Responsible Person.

D. A "Material Financial Interest" in an entity is a financial interest of any kind that is

substantial as defined in Texas Local Government Code, Section 171.002. It states that a person has a substantial interest (1) if a Responsible Person or a Family member owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity; or (2) the funds received by the Responsible Person or a Family Member from the business entity exceed 10 percent of the person's gross income for the previous year.

E. A "Contract or Transaction" is any agreement or relationship involving the sale or purchase of goods, services, or rights of any kind, the providing or receipt of a loan or grant, or the establishment of any other type of pecuniary relationship.

### **3. Procedures.**

Subject to the policy and statutory exceptions set forth above in paragraph 1.D. and in Texas Business Organizations Code, Chapter 22, Section 22.230(b), as may be amended, the following procedures apply:

A. Prior to board or committee action on a Contract or Transaction involving a Conflict of Interest, a director or committee member having a Conflict of Interest and who is in attendance at the meeting shall disclose all facts material to the Conflict of Interest. Such disclosure shall be reflected in an affidavit filed with the Secretary of the Corporation before the board or committee meeting. If the affidavit is not required, the Responsible Person shall publicly disclose in the official minutes the nature and extent of such interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.

B. A director or committee member who plans not to attend a meeting at which he or she has reason to believe that the board or committee will act on a matter in which the person has a Conflict of Interest shall file the affidavit required under Section 3(A) above. If the affidavit is not required, the Responsible Person shall publicly disclose in the official minutes the nature and extent of such interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.

C. A person who has a Conflict of Interest shall not participate in or be permitted to hear the board's or committee's discussion of the matter except to disclose material facts and to respond to questions. Such person shall not attempt to exert his or her personal influence with respect to the matter, either at or outside the meeting.

D. A person who has a Conflict of Interest with respect to a Contract or Transaction that will be voted on at a meeting shall not be counted in determining the presence of a quorum for purposes of the vote. The person having a conflict of interest may not vote on the Contract or Transaction and shall not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote shall be reflected in the minutes of the meeting. For the purposes of this paragraph, a member of the Board of Directors of FOUNDATION has a Conflict of Interest when he or she stands for election as an officer or for re-election as a member of the Board of

Directors.

E. Responsible Persons who are not members of the Board of Directors of FOUNDATION, or who have a Conflict of Interest with respect to a Contract or Transaction that is not the subject of Board or committee action, shall disclose to the chair or the chair's designee any Conflict of Interest that such Responsible Person has with respect to a Contract or Transaction. Such disclosure shall be made as soon as the Conflict of Interest is known to the Responsible Person. The Responsible Person shall refrain from any action that may affect FOUNDATION's participation in such Contract or Transaction.

In the event it is not entirely clear that a Conflict of Interest exists, the individual with the potential conflict shall disclose the circumstances to the Chair or the Chair's designee, who shall determine whether there exists a Conflict of Interest that is subject to this policy.

**4. Confidentiality.** Each Responsible Person shall exercise care not to disclose confidential information acquired in connection with such status or information the disclosure of which might be adverse to the interests of FOUNDATION. Furthermore, a Responsible Person shall not disclose or use information relating to the business of FOUNDATION for the personal profit or advantage of the Responsible Person or a Family Member.

#### **5. Review of policy.**

A. Each new Responsible Person shall be required to review a copy of this policy and to acknowledge in writing that he or she has done so.

B. Each Responsible Person shall annually complete a disclosure form identifying any relationships, positions or circumstances in which the Responsible Person is involved that he or she believes could contribute to a Conflict of Interest arising. Such relationships, positions or circumstances might include service as a Trustee of or consultant to FOUNDATION, or ownership of a business that might provide goods or services to FOUNDATION. Any such information regarding business interests of a Responsible Person or a Family Member shall be treated as confidential and shall generally be made available only to the chair, the President, and any committee appointed to address Conflicts of Interest, except to the extent additional disclosure is necessary in connection with the implementation of this Policy.

C. This policy shall be reviewed annually by each member of the Board of Directors. Any changes to the policy shall be communicated immediately to all Responsible Persons.

## Conflict of Interest Information Form

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Please describe below any relationships, positions, or circumstances in which you are involved that you believe could contribute to a Conflict of Interest (as defined in FOUNDATION's Policy on Conflicts of Interest) arising.

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have reviewed, and agree to abide by, the Policy of Conflict of Interest of FOUNDATION that is currently in effect.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_